

Message Text

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TO USMISSION EC BRUSSELS PRIORITY
INFO USDEL MTN GENEVA PRIORITY

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E.O. 11652: GDS

TAGS: ETRD, MTN

SUBJECT:MEETING OF AMBASSADOR DENT WITH AMBASSADOR SPAAK

1. SUMMARY: AMBASSADOR DENT MET WITH AMBASSADOR SPAAK
DECEMBER 20 TO REVIEW EC/JAPANESE DISCUSSIONS ON BILATERAL
TRADE ISSUES, EC AND JAPANESE ACTIONS IN THE STEEL
INDUSTRY, AND THE RENEWAL OF THE MULTIFIBER ARRANGEMENT
(MFA). AMBASSADOR DENT EXPRESSED US CONCERNS IN EACH OF
THESE AREAS AND SUGGESTED POLITICAL LEVEL CONSULTATIONS
AS SOON AS PRACTICABLE AFTER JANUARY 20, AS WELL AS
SUBSEQUENT MULTILATERAL REVIEW WITHIN CONTEXT OF OECD
TRADE PLEDGE. AMBASSADOR SPAAK WENT OVER ECONOMIC AND
POLITICAL BACKGROUND AND SUGGESTED ACTIONS TAKEN
REPRESENTED LEAST DISRUPTIVE AND PROTECTIONIST COURSE
AVAILABLE TO EC. HE AGREED FURTHER CONSULTATIONS BETWEEN
US AND EC WERE HIGHLY DESIRABLE. END SUMMARY

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2. AMBASSADOR DENT MET WITH AMBASSADOR SPAAK ON DECEMBER
20 TO REVIEW A NUMBER OF US CONCERNS IN THE TRADE FIELD.
HE LED OFF BY RECALLING PREVIOUS DISCUSSIONS ON EC/
JAPANESE UNDERSTANDINGS AND NOTED DECISION BY COUNCIL OF
EUROPE TO ACCEPT VOLUNTARY JAPANESE RESTRAINT MEASURES FOR
TIME BEING, AND TO REVIEW SITUATION AGAIN IN 90 DAYS.

AMBASSADOR DENT INDICATED CONTINUING US CONCERN WITH RESPECT TO POSSIBLE REPERCUSSIONS OF THESE INFORMAL ARRANGEMENTS FOR US TRADE AND THE TRADING SYSTEM AS A WHOLE. OVER THE NEAR TERM US IS CONCERNED ABOUT DEFLECTION OF JAPANESE EXPORTS TO US MARKETS, PARTICULARLY IN THE STEEL AND COLOR TELEVISION INDUSTRIES. OVER THE LONGER TERM, THE US IS CONCERNED ABOUT THE IMPACT ON THE STABILITY OF THE TRADING SYSTEM AND THE CREDIBILITY OF THE OECD TRADE PLEDGE. WHILE US APPRECIATES DOMESTIC PROBLEMS THAT CONFRONT EUROPE, US ALSO HAS PROBLEMS WHICH CANNOT BE IGNORED. WE MUST APPROACH MANAGEMENT OF OUR PROBLEMS IN A MULTILATERAL FRAMEWORK, AND FIND SOLUTIONS CONSISTENT WITH THE OBJECTIVES WE SHARE.

3. AMBASSADOR DENT INDICATED THAT US APPRECIATED SENSITIVITY OF ISSUES INVOLVED, AND NEED TO WORK OUT BILATERAL UNDERSTANDING HOW THESE CURRENT TRADE ISSUES ARE BEST RAISED IN THE MULTILATERAL CONTEXT. TO THIS END, US AND EC SHOULD BE PREPARED TO HOLD BILATERAL CONSULTATIONS ON A POLITICAL LEVEL AS SOON AFTER JANUARY 20 AS PRACTICABLE, BUT BEFORE END OF 90 DAY PERIOD. SUCH CONSULTATIONS COULD ALSO DEAL WITH QUESTIONS RELATED TO THE MANAGEMENT OF THE MTN.

4. AMBASSADOR SPAAK RESPONDED BY POINTING OUT THAT THE MAIN PROBLEM IS REALLY A BRITISH PROBLEM, AND PURPOSE OF JAPAN/EC DISCUSSIONS WAS TO MAKE IT EASIER FOR BRITISH OFFICIALS TO MANAGE A DIFFICULT SITUATION. IN ABSENCE OF JAPANESE RESTRICTIONS, BRITISH AND CONSEQUENTLY EC LIMITED OFFICIAL USE

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AS A WHOLE, WOULD HAVE BEEN FORCED TO TAKE FORMAL PROTECTIONIST ACTIONS. HE MENTIONED APPROACH WHICH WAS CHOSEN WAS BOTH LESS PROTECTIONIST AND LESS DISRUPTIVE. NEVERTHELESS, HE EXPRESSED UNDERSTANDING OF DANGER INVOLVED IF SIMILAR SOLUTIONS WERE TO BE USED MORE WIDELY IN THE FUTURE.

5. AMBASSADOR DENT ALSO RAISED STEEL ISSUE IN BROADER CONTEXT, EXPRESSING CONCERN ABOUT POSSIBLE IMPLICATIONS DUMPING ABROAD BY EC STEEL PRODUCERS, IF EC PRICE RAISED ABOVE WORLD MARKET PRICES AND INTERNAL EC SALES ARE CONTROLLED, WHILE FOREIGN SALES ARE NOT. US ALSO CONCERNED ABOUT THE INEVITABLE NEED FOR IMPORT RESTRICTIONS, TO PROTECT PRODUCTION CONTROLS INSIDE THE EC. THE US STEEL INDUSTRY IS FACING VERY DIFFICULT ECONOMIC PROBLEMS ITSELF, AND IS NOT IN A POSITION TO ABSORB NEW PRESSURES FROM ABROAD. THERE IS A PRESSING NEED TO

ADDRESS PROBLEMS OF STEEL INDUSTRY IN TRILATERAL OR
BROADER MULTILATERAL FRAMEWORK, IN ORDER TO FIND SOLUTIONS
TO CURRENT PROBLEMS INVOLVING THE LEAST GOVERNMENT
INTERVENTION AND THE LEAST DISTORTION OF TRADE. CURRENT
DIFFICULTIES IN STEEL ALSO ILLUSTRATE THE TYPE OF PROBLEM
US WOULD LIKE TO DISCUSS IN CONTEXT OF MTN SECTOR
NEGOTIATIONS IN STEEL.

6. AMBASSADOR DENT ALSO RAISED MFA RENEWAL ISSUE,
POINTING OUT USG HAD HOPED THAT EC WOULD HAVE BEEN ABLE TO
JOIN THE CLEAR CONSENSUS THAT CAME OUT OF THE DECEMBER
TEXTILES COMMITTEE SESSION. HE POINTED OUT THAT IN THE
DECEMBER MEETING THE USG HAD SUCCEEDED IN PERSUADING THE
LDC'S TO GO ALONG WITH SIMPLE RENEWAL AND IN KEEPING THE
RENEWAL ISSUE APART FROM THE MTN. HOW LONG THE LDC'S
CONTINUE TO ADHERE TO THAT LINE WAS, HOWEVER, QUESTION-
ABLE. AMBASSADOR DENT SAID EVERYONE WAS NOW LOOKING TO
THE EC AND HE ASKED AMBASSADOR SPAAK WHERE THINGS STOOD
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ON THIS IMPORTANT ISSUE.

7. AMBASSADOR SPAAK SAID HE HAD JUST LEARNED THAT THE
COMMISSION WOULD HOPEFULLY WORK OUT A POSITION ON DECEMBER
22 AND WOULD THEN SEEK TO COMPLETE THE EC CLEARANCE
PROCESS BY JANUARY 6, SO THAT THE EC WOULD BE PREPARED
FOR SERIOUS DISCUSSIONS AT THE QUOTE SEVEN PLUS SEVEN END
QUOTE MEETING ON JANUARY 18 IN GENEVA. AMBASSADOR SPAAK
SAID COMMISSION THINKING NOW WAS NOT, REPEAT NOT, TO
SEEK AMENDMENTS BUT RATHER QUOTE INTERPRETIVE NOTES END
QUOTE. HE CONFIRMED THE NEED TO PRESS FOR EARLIER
RENEWAL AND FOR KEEPING MFA APART FROM THE MTN.

8. AMBASSADOR DENT SAID HE WAS ENCOURAGED BY THE
COMMISSION'S APPARENT PUSH FOR A POSITION IN EARLY JANUARY
AND REPEATED USG'S HOPE THAT THE ENTIRE MATTER WOULD BE
WRAPPED UP BY THE END OF FEBRUARY AND EARLIER IF POSSIBLE.
HE ALSO CAUTIONED THAT RADICAL CHANGES IN INTERPRETIVE
NOTES WOULD SEVERELY LIMIT CHANCES FOR MFA RENEWAL AND
EVEN MILD NOTES WOULD BE VERY DIFFICULT TO OBTAIN. US
SIDE ALSO STATED THAT ANY INTERPRETIVE NOTES WHICH MIGHT
HAVE THE EFFECT OF SHIFTING MORE OF THE IMPORT BURDEN
ONTO THE US WOULD NOT BE ACCEPTABLE. A BRIEF DISCUSSION
ENSUED CONCERNING THE TEXTILE IMPORT AND EXPORT FIGURES
SINCE 1970 FOR BOTH THE EC AND US AND WHEN MEETING ENDED
JEAN PIERRE LENG WAS GIVEN EXCERPT OF GATT TEXTILES
COMMITTEE FIGURES SHOWING THAT FROM 1970 THROUGH 1975
EC HAD ENJOYED NEARLY A \$4 BILLION TEXTILE TRADE SURPLUS
WHILE FOR SAME PERIOD US HAD INCURRED A NEARLY \$10 BIL-
LION TEXTILE TRADE DEFICIT.

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